

CITY OF CRESCO
Cresco, Iowa

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS**

June 30, 2016

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CITY OF CRESCO
Cresco, Iowa

Officials

(Before January 2016)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Mark Bohle	Mayor	January 2016
John Loveless	Council Member	January 2016
Teresa McGee.....	Council Member	January 2016
Jan Carman	Council Member	January 2016
Amy Bouska	Council Member	January 2018
Steve McCarville.....	Council Member	January 2018
Michelle Girolamo	City Clerk	Indefinite
Joseph P. Braun	City Attorney.....	Indefinite
Rodney Freidhof.....	Public Works Director.....	Indefinite

(After January 2016)

Mark Bohle	Mayor	January 2018
Amy Bouska	Council Member	January 2018
Steve McCarville.....	Council Member	January 2018
Jan Carman	Council Member	January 2020
Dave Brenno.....	Council Member	January 2020
Teresa McGee.....	Council Member	January 2020
Michelle Girolamo	City Clerk	Indefinite
Joseph P. Braun	City Attorney.....	Indefinite
Rodney Freidhof.....	Public Works Director.....	Indefinite



Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying cash basis financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Cresco, Iowa, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Cresco, Iowa, as of June 30, 2016, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As discussed in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Cresco, Iowa's basic financial statements. The financial statements for the nine years ended June 30, 2015 (which are not presented herein) were audited by other auditors in accordance with standards referred to in the third paragraph of this report who expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information, including the combining and individual nonmajor fund financial statements, the Schedule of Indebtedness, Bond and Note Maturities, and the Schedule of Receipts by Source and Disbursements by Function are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, the Schedule of Indebtedness, Bond and Note Maturities, and the Schedule of Receipts by Source and Disbursements by Function are fairly stated in all material respects in relation to the basic financial statements as a whole.

The other information, Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 5 through 10 and 34 through 40, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2016, on our consideration of the City of Cresco, Iowa's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Cresco, Iowa's internal control over financial reporting and compliance.

Gardiner Thomsen, P.C.

Charles City, Iowa

November 7, 2016

Financial Statements

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Cresco provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2016. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2016 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 31.55%, or approximately \$2,264,863, from fiscal 2015 to fiscal 2016. This decrease is primarily due to \$2,920,000 of note proceeds that were received in the 2015 fiscal year.
- Disbursements of the City's governmental activities decreased 18.17% or approximately \$1,148,803, in fiscal year 2016 from fiscal 2015. This decrease is mainly due to spending approximately \$2,000,000 on the Granger Road project and purchasing a dump truck for \$95,000 during fiscal year 2015.
- The City's total cash basis net position increased \$23,311 from June 30, 2015 to June 30, 2016. Of this amount, the cash basis net position of the governmental activities decreased \$227,698 and the cash basis net position of the business-type activities increased \$251,009.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the nonmajor governmental proprietary funds and the City's indebtedness.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business-Type Activities include the waterworks, the sanitary sewer system and various other activities. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: (a) the General Fund, (b) the Special Revenue Funds, such as Road Use Tax and Employee Benefits; (c) the Debt Service Fund and (d) the Capital Projects Funds. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

- 2) Proprietary funds account for the City's enterprise funds and the Internal Service Fund. Enterprise funds are used to report business type activities. The City maintains several enterprise funds to provide separate information for the water, sewer, capital improvement and yard waste, of which Water and Sewer Funds are considered to be major funds of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

Fund Financial Statements (Continued)

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

Reconciliations between the government-wide financial statement and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from \$4,720,150 a year ago to \$4,492,452. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Position of Governmental Activities		
	Year Ended June 30,	
	2016	2015
Receipts:		
Program Receipts:		
Charges for Service	\$1,532,621	\$1,263,082
Operating Grants, Contributions and Restricted Interest	812,695	572,779
General Receipts:		
Property Tax	1,989,515	1,874,800
Local Option Sales Tax	412,532	460,893
Commercial Industrial Tax Replacement	72,535	0
Unrestricted Interest on Investments	8,398	10,492
Note Proceeds	0	2,920,000
Premium on Note Proceeds	0	48,942
Sale of Capital Assets	0	27,436
Other General Receipts	85,265	0
Total Receipts	4,913,561	7,178,424
Disbursements:		
Public Safety	807,735	678,141
Public Works	1,417,946	1,334,858
Health and Social Services	4,151	4,151
Culture and Recreation	1,212,625	1,161,029
Community and Economic Development	47,823	54,464
General Government	307,396	303,322
Debt Service	624,490	596,538
Capital Projects	750,734	2,189,200
Total Disbursements	5,172,900	6,321,703
Change in Net Position Before Transfers	(259,339)	856,721
Transfers, Net	31,641	31,778
Change in Cash Basis Net Position	(227,698)	888,499
Cash Basis Net Position – Beginning of Year	4,720,150	3,831,651
Cash Basis Net Position – End of Year	\$4,492,452	\$4,720,150

The City's total receipts for governmental activities decreased 31.55%, or \$2,264,863. The decrease was primarily due to note proceeds received in the prior fiscal year. The total cost of all programs and services decreased by \$1,148,803, or 18.17%. The majority of this decrease was in the capital projects function due to the major reconstruction of Granger Road in the prior fiscal year.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Changes in Cash Basis Net Position of Business Type Activities		
	Year Ended June 30,	
	2016	2015
Receipts:		
Program Receipts:		
Charges for Service:		
Water	\$ 529,462	\$ 523,447
Sewer	785,941	766,508
Other Proprietary	95,527	84,226
General Receipts:		
Sale of Capital Assets	0	100
Unrestricted Interest on Investments	2,527	2,364
Other General Receipts	0	25
Total Receipts	1,413,457	1,376,670
Disbursements:		
Water	436,583	388,463
Sewer	656,722	551,997
Other Proprietary	37,502	51,996
Total Disbursements	1,130,807	992,456
Change in Cash Basis Net Position Before Transfers	282,650	384,214
Transfers, Net	(31,641)	(31,778)
Change in Cash Basis Net Position	251,009	352,436
Cash Basis Net Position - Beginning of Year	2,424,134	2,071,698
Cash Basis Net Position - End of Year	\$2,675,143	\$2,424,134

Total business-type activities receipts for the fiscal year were \$1,413,457 compared to \$1,376,670 last year. The slight increase was mainly due to an increase in water and sewer rates, charges for service and installation. The cash balance increased by \$251,009 or 10.35%, from the prior year. Total disbursements for the fiscal year increased by 13.94% or \$138,351.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

The General Fund cash balance increased \$162,645 from the prior year to \$2,307,600. This increase was largely due to operating expenses being less than budgeted in several departments, mainly in utilities and insurance. Projects that changed and were smaller than originally budgeted include the airport project and the street light replacement project. The sidewalk replacement project and the solar project were not completed by the end of the fiscal year.

The Special Revenue, Road Use Tax Fund cash balance increased by \$37,432 to \$718,400 during the fiscal year. This increase is due to more road use tax received than budgeted and disbursements, especially fuel expense, were less than budgeted.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS (CONTINUED)

The Special Revenue, Employee Benefits Fund cash balance increased \$35,402 to \$579,519 during the fiscal year. This year the City received \$441,168 in property tax. The City also received \$33,517 from employees for their portion of health insurance premiums. This fund pays FICA, Medicare, IPERS, unemployment claims, health and life insurance for employees, except those employees paid from the water and sewer utilities. Revenue increased approximately \$6,518 from the fiscal year ended June 30, 2015. Health insurance costs decreased due to the number of individuals covered causing overall fund disbursements to decrease \$6,290 over the fiscal year ended June 30, 2015.

The Special Revenue, Local Option Revenue Fund receipts decreased by \$48,361. Ten percent of the total amount received must be used to reduce the property tax levy. This is transferred to the Debt Service Fund to pay bond payments rather than levying for that amount. The other 90% is transferred to the General Fund, Local Option Sales Tax Project Fund.

The Debt Service Fund property tax receipts increased \$233,617 over the fiscal year ended June 30, 2015. During fiscal year 2015, the City did not levy to pay all of the debt payments and chose instead to use the fund balance that had accumulated over the years. The balance was due to more local option sales tax being transferred to the Debt Service Fund than originally budgeted in previous years. In fiscal year ending June 30, 2016, the City levied property taxes for the amount needed for the debt payments.

The Capital Projects, Street Assessment Project Fund cash balance decreased by \$522,583 to \$289,572 during the fiscal year. The remaining bond proceeds were used to finish the Granger Road Reconstruction Project and a water main project. Revenue received was from street assessments collected.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Enterprise, Water Fund cash balance increased \$85,731 to \$663,185 due to an increase in water rates to build the fund balance up for future scheduled projects, including the pulling of one well and lining the other well.

The Enterprise, Sewer Fund cash balance increased \$132,354 to \$1,550,727 due to less slip lining and the clarifiers not getting painted during this fiscal year as planned. Sewer rates increased to build up the reserves for future maintenance and possible compliance requirements for nutrient reduction.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget three times. The amendments were approved on August 17, 2015, March 21, 2016 and June 6, 2016. The amendments resulted in increasing budgeted disbursements \$967,150, budgeted receipts \$435,750 and increasing the budgeted loss from \$96,479 to a budgeted loss of \$627,879. Budget amendments for disbursements were necessary due to the pay request for the Granger Road Reconstruction Project received in July instead of June as originally budgeted. Amendments were also made for unanticipated expenditures including Theatre painting and repairs, sewer projects, solar project, parking lot overlay, 150th Celebration and the purchase of a paint machine, police car and mower.

DEBT ADMINISTRATION

As of June 30, 2016, the City had \$4,812,000 of notes outstanding, compared to \$5,381,000 last year, as shown below:

	Outstanding Debt at Year-End	
	Year Ended June 30,	
	2016	2015
General Obligation Notes	\$4,238,000	\$4,753,000
Revenue Notes	574,000	628,000
Total	\$4,812,000	\$5,381,000

The City continues to carry a general obligation bond rating of A1. The Constitution of the State of Iowa limits the amount of general obligation debt cities can issues to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$4,238,000 is below its constitutional debt limit of \$8,780,494. Additional information about the City's long-term debt is presented in Note 3 to the financial statements.

ECONOMIC FACTORS

The budget for fiscal year 2017 shows an estimated profit of \$49,304. The sewer plant may need to make significant improvements to conform to new EPA and DNR regulations in the next few years. Fund balances are maintained for unexpected expenditures and to alleviate the impact of legislation changes which could include reducing the property tax revenue and the uncertainty of the backfill. We expect the emerald ash borer to be a threat to the numerous city-owned trees and may become a financial burden if the Ash trees need to be removed. Energy conservation is an important goal of the City of Cresco for reducing future operating expenses.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Michelle Girolamo, City Clerk at 130 North Park Place, Cresco, IA 52136-1631.

Basic Financial Statements

CITY OF CRESCO

Cresco, Iowa

CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION

As of and for the Year Ended June 30, 2016

		Program Receipts	
	Disbursements	Charges for Service	Operating Grants, Contributions, and Restricted Interest
Functions/Programs:			
Governmental Activities:			
Public Safety	\$ 807,735	\$ 27,806	\$156,480
Public Works	1,417,946	816,631	493,964
Health and Social Services	4,151	0	0
Culture and Recreation	1,212,625	592,875	54,677
Community and Economic Development	47,823	10,917	101,890
General Government	307,396	84,392	5,684
Debt Service	624,490	0	0
Capital Projects	750,734	0	0
Total Governmental Activities	<u>5,172,900</u>	<u>1,532,621</u>	<u>812,695</u>
Business-Type Activities:			
Water	436,583	529,462	0
Sewer	656,722	785,941	0
Other Proprietary	37,502	95,527	0
Total Business Type Activities	<u>1,130,807</u>	<u>1,410,930</u>	<u>0</u>
Total	<u>\$6,303,707</u>	<u>\$2,943,551</u>	<u>\$812,695</u>
Component Units:			
Cresco Public Library Foundation	\$ 6,908	\$ 0	\$ 16,125
Cresco Fire Fighters, Inc.	35,071	0	68,654
Cresco Theatre Commission	54,995	0	54,995
Total Component Units	<u>\$ 96,974</u>	<u>\$ 0</u>	<u>\$139,774</u>
General Receipts and Transfers:			
Property and Other City Tax Levied for:			
General Purposes			
Debt Service			
Tax Increment Financing			
Local Option Sales Tax			
Commercial/Industrial Tax Replacement			
Unrestricted Interest on Investments			
Miscellaneous			
Sale of Capital Assets			
Transfers			
Total General Receipts and Transfers			
Change in Cash Basis Net Position			
Cash Basis Net Position Beginning of Year			
Cash Basis Net Position End of Year			
Cash Basis Net Position			
Restricted:			
Expendable:			
Streets			
Employee Benefits			
Debt Service			
Capital Projects			
Other Purposes			
Unrestricted			
Total Cash Basis Net Position			
See Notes to Financial Statements.			

Net (Disbursements) Receipts and
Changes in Cash Basis Net Position

Governmental Activities	Business - Type Activities	Total	Component Units
\$ (623,449)	\$ 0	\$ (623,449)	\$ 0
(107,351)	0	(107,351)	0
(4,151)	0	(4,151)	0
(565,073)	0	(565,073)	0
64,984	0	64,984	0
(217,320)	0	(217,320)	0
(624,490)	0	(624,490)	0
(750,734)	0	(750,734)	0
(2,827,584)	0	(2,827,584)	0
0	92,879	92,879	0
0	129,219	129,219	0
0	58,025	58,025	0
0	280,123	280,123	0
(2,827,584)	280,123	(2,547,461)	0
0	0	0	9,217
0	0	0	33,583
0	0	0	0
0	0	0	42,800
1,479,815	0	1,479,815	0
509,700	0	509,700	0
0	0	0	0
412,532	0	412,532	0
72,535	0	72,535	0
8,398	2,527	10,925	0
85,265	0	85,265	0
0	0	0	0
31,641	(31,641)	0	0
2,599,886	(29,114)	2,570,772	0
(227,698)	251,009	23,311	42,800
4,720,150	2,424,134	7,144,284	330,723
\$ 4,492,452	\$2,675,143	\$ 7,167,595	\$373,523
\$ 718,400	\$ 0	\$ 718,400	\$ 0
579,519	0	579,519	0
43,151	297,898	341,049	0
289,572	0	289,572	0
510,278	0	510,278	0
2,351,532	2,377,245	4,728,777	373,523
\$ 4,492,452	\$2,675,143	\$ 7,167,595	\$373,523

CITY OF CRESCO
Cresco, Iowa

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN
CASH BALANCES – GOVERNMENTAL FUNDS
As of and for the Year Ended June 30, 2016

	General	Special Revenue Road Use Tax
Receipts:		
Property Tax	\$1,038,647	\$ 0
Other City Tax	61,299	0
Licenses and Permits	53,492	0
Use of Money and Property	72,398	0
Intergovernmental	132,573	478,005
Charges for Service	1,030,816	0
Special Assessments	0	0
Miscellaneous	169,808	0
Total Receipts	2,559,033	478,005
Disbursements:		
Operating:		
Public Safety	701,637	0
Public Works	838,313	440,573
Health and Social Services	4,151	0
Culture and Recreation	1,182,479	0
Community and Economic Development	47,823	0
General Government	302,252	0
Debt Service	0	0
Capital Projects	0	0
Total Disbursements	3,076,655	440,573
Excess (Deficiency) of Receipts Over (Under) Disbursements	(517,622)	37,432
Other Financing Sources (Uses):		
Transfers In	759,029	0
Transfers Out	(78,762)	0
Total Other Financing Sources (Uses)	680,267	0
Change in Cash Balances	162,645	37,432
Cash Balances Beginning of Year	2,144,955	680,968
Cash Balances End of Year	\$2,307,600	\$718,400
Cash Basis Fund Balances:		
Restricted for:		
Employee Benefits	\$ 0	\$ 0
Fire Equipment	0	0
Equipment Repair – Fitness	0	0
CIDC Revolving Loan	0	0
Debt Service	0	0
Streets	0	718,400
Library	0	0
Capital Projects	0	0
Other Purposes	0	0
Committed To:		
Repayment of General Obligation Debt	13,840	0
Repayment of Fitness Center Parking Lot Project	15,000	0
Telecommunications	57,909	0
Fire Department Airpacks	0	0

Exhibit B

Special Revenue		Capital Projects			
Employee Benefits	Local Option Revenue	Debt Service	Street Assessment Project	Nonmajor	Total
\$ 441,168	\$ 0	\$509,700	\$ 0	\$ 0	\$1,989,515
8,422	412,532	9,588	0	0	491,841
0	0	0	0	0	53,492
554	0	210	482	4,190	77,834
16,124	0	18,508	0	85,143	730,353
0	0	0	0	770	1,031,586
0	0	0	169,328	0	169,328
33,517	0	0	0	144,209	347,534
499,785	412,532	538,006	169,810	234,312	4,891,483
0	0	0	0	97,847	799,484
127,325	0	0	0	0	1,406,211
0	0	0	0	0	4,151
0	0	0	0	18,403	1,200,882
0	0	0	0	0	47,823
1,618	0	0	0	0	303,870
0	0	624,490	0	0	624,490
0	0	0	692,393	58,341	750,734
128,943	0	624,490	692,393	174,591	5,137,645
370,842	412,532	(86,484)	(522,583)	59,721	(246,162)
0	0	90,656	0	59,000	908,685
(335,440)	(412,532)	0	0	(50,310)	(877,044)
(335,440)	(412,532)	90,656	0	8,690	31,641
35,402	0	4,172	(522,583)	68,411	(214,521)
544,117	0	38,979	812,155	441,867	4,663,041
\$ 579,519	\$ 0	\$ 43,151	\$ 289,572	\$510,278	\$4,448,520
\$ 579,519	\$ 0	\$ 0	\$ 0	\$ 0	\$ 579,519
0	0	0	0	165,322	165,322
0	0	0	0	62,136	62,136
0	0	0	0	116,245	116,245
0	0	43,151	0	0	43,151
0	0	0	0	0	718,400
0	0	0	0	28,567	28,567
0	0	0	289,572	0	289,572
0	0	0	0	88,008	88,008
0	0	0	0	0	13,840
0	0	0	0	0	15,000
0	0	0	0	0	57,909
0	0	0	0	50,000	50,000

CITY OF CRESCO
Cresco, Iowa

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN
CASH BALANCES – GOVERNMENTAL FUNDS (CONTINUED)
As of and for the Year Ended June 30, 2016

	General	Special Revenue Road Use Tax
Cash Basis Fund Balances (Continued):		
Assigned:		
Nuisance Housing	\$ 19,799	\$ 0
Community Fire Department	30,170	0
Equipment Replacement	17,641	0
Office/Computer Equipment	14,925	0
Street	50,568	0
Tourism	24,932	0
Drug Dog	7,172	0
Theatre	2,069	0
Unassigned	2,053,575	0
Total Cash Basis Fund Balances	<u>\$2,307,600</u>	<u>\$718,400</u>

See Notes to Financial Statements.

Exhibit B (Continued)

Special Revenue		Debt Service	Capital Projects	Nonmajor	Total
Employee Benefits	Local Option Revenue		Street Assessment Project		
\$ 0	\$0	\$ 0	\$ 0	\$ 0	\$ 19,799
0	0	0	0	0	30,170
0	0	0	0	0	17,641
0	0	0	0	0	14,925
0	0	0	0	0	50,568
0	0	0	0	0	24,932
0	0	0	0	0	7,172
0	0	0	0	0	2,069
0	0	0	0	0	2,053,575
\$579,519	\$0	\$43,151	\$289,572	\$510,278	\$4,448,520

CITY OF CRESCO
Cresco, Iowa

RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES TO THE CASH BASIS STATEMENT OF ACTIVITIES AND NET
POSITION

GOVERNMENTAL FUNDS

As of and for the Year Ended June 30, 2016

Total Governmental Funds Cash Balances (Pg. 16)	\$4,448,520
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Amounts reported for governmental activities in the Cash Basis Statement of Activities and Net Position are different because:

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. A portion of the cash balance of the Internal Service Fund is included in governmental activities in the Cash Basis Statement of Activities and Net Position.

43,932

Cash Basis Net Position of Governmental Activities (Pg. 12)	<u>\$4,492,452</u>
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Change in Cash Balances (Pg. 14)	\$ (214,521)
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Amounts reported for governmental activities in the Cash Basis Statement of Activities and Net Position are different because:

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. A portion of the change in the cash balance of the Internal Service Fund is reported with governmental activities in the Cash Basis Statement of Activities and Net Position.

(13,177)

Change in Cash Basis Net Position of Governmental Activities (Pg. 12)	<u>\$ (227,698)</u>
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See Notes To Financial Statements.

CITY OF CRESCO
Cresco, Iowa

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES
IN CASH BALANCES – PROPRIETARY FUNDS**

As of and for the Year Ended June 30, 2016

	Enterprise Funds	
	Water	Sewer
Operating Receipts:		
Charges for Service	\$497,500	\$ 751,678
Miscellaneous	26,876	29,908
Total Operating Receipts	<u>524,376</u>	<u>781,586</u>
Operating Disbursements:		
Governmental Activities		
General Government	0	0
Business-Type Activities	428,443	578,764
Total Operating Disbursements	<u>428,443</u>	<u>578,764</u>
Excess (Deficiency) of Operating Receipts Over (Under)		
Operating Disbursements	<u>95,933</u>	<u>202,822</u>
Non-Operating Receipts (Disbursements):		
Interest on Investments	679	1,520
Debt Service	0	(70,988)
Total Non-Operating Receipts (Disbursements)	<u>679</u>	<u>(69,468)</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	96,612	133,354
Transfers Out	<u>(10,881)</u>	<u>(1,000)</u>
Net Change in Cash Balances	85,731	132,354
Cash Balances Beginning of Year	<u>577,454</u>	<u>1,418,373</u>
Cash Balances End of Year	<u>\$663,185</u>	<u>\$1,550,727</u>
Cash Basis Fund Balances		
Restricted for Debt Service	\$ 0	\$ 297,898
Unrestricted	<u>663,185</u>	<u>1,252,829</u>
Total Cash Basis Fund Balances	<u>\$663,185</u>	<u>\$1,550,727</u>

See Notes to Financial Statements.

Exhibit D

Enterprise Funds		Internal
Nonmajor		Service
Enterprise		Fund
Funds	Total	Employee
		Health
\$ 95,527	\$1,344,705	\$ 0
0	56,784	31,469
95,527	1,401,489	31,469
0	0	50,365
37,502	1,044,709	0
37,502	1,044,709	50,365
58,025	356,780	(18,896)
306	2,505	72
0	(70,988)	0
306	(68,483)	72
58,331	288,297	(18,824)
(19,760)	(31,641)	0
38,571	256,656	(18,824)
404,438	2,400,265	80,978
\$443,009	\$2,656,921	\$ 62,154
\$ 0	\$ 297,898	\$ 0
443,009	2,359,023	62,154
\$443,009	\$2,656,921	\$ 62,154

CITY OF CRESCO
Cresco, Iowa

RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES TO THE CASH BASIS STATEMENT OF ACTIVITIES AND NET
POSITION – PROPRIETARY FUNDS

As of and for the Year Ended June 30, 2016

Total Enterprise Funds Cash Balances (Pg. 19)	\$2,656,921
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Amounts reported for business type activities in the Cash Basis Statement of Activities and Net Position are different because:

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. A portion of the cash balance of the Internal Service Fund is included in business type activities in the Cash Basis Statement of Activities and Net Position.

18,222

Cash Basis Net Position of Business Type Activities (Pg. 12)	<u><u>\$2,675,143</u></u>
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Change in Cash Balances (Pg. 19)

Amounts reported for business-type activities in the Cash Basis Statement of Activities and Net Position are different because:

\$ 256,656

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. A portion of the change in the cash balance of the Internal Service Fund is reported with business type activities in the Cash Basis Statement of Activities and Net Position.

(5,647)

Change in Cash Basis Net Position of Business Type Activities (Pg. 12)	<u><u>\$ 251,009</u></u>
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See Notes To Financial Statements.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

The City of Cresco is a political subdivision of the State of Iowa located in Howard County. It was first incorporated in 1866 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Cresco has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

These financial statements present the City of Cresco (the primary government) and its discretely presented component units, the Cresco Public Library Foundation (Foundation), Cresco Fire Fighters Inc. (Organization) and the Cresco Theatre Commission (Commission). Neither the Foundation, the Organization nor the Commission issue separately audited financial statements.

Discrete Component Units

The Cresco Public Library Foundation (an Iowa nonprofit corporation) is a component unit that is legally separate from the City. The Foundation is governed by a Board of Trustees, which is the same Board as the Library Board. Economic resources received by the Foundation are used for the direct benefit of the Cresco Public Library and, therefore, the City's constituents.

Cresco Fire Fighters, Inc. (an Iowa nonprofit corporation) is a component unit that is legally separate from the City. The Organization is governed by a Board of Directors. Economic resources received by the Organization are used for the direct benefit of the City's constituents. The Organization has a year end of December 31. Accordingly, the Organization's financial information included in the statement of activities and net position is as of and for the year ended December 31, 2015.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

Cresco Theatre Commission is a component unit that is legally separate from the City. The Commission is governed by a Board of Directors. Economic resources required by the Commission are used for the direct benefit of the Cresco Theatre and, therefore, the City's constituents.

In accordance with criteria set forth by the Governmental Accounting Standards Board, the Foundation, the Cresco Fire Fighters, Inc. and the Commission meet the definition of a component unit which should be discretely presented.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods and services to the citizenry of the City, but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Cresco Industrial Development Corporation, Regional Health Services Foundation Board, Intermediary Relending Program Board, Prairie Springs Recreation Trails Board, Upper Explorerland Regional Planning Commission, Howard County Agricultural Society Board, Howard County Conference Board, Howard County Emergency Management Commission and the Howard County Joint E911 Service Board.

B. Basis of Presentation

Government-Wide Financial Statements - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Cash Basis Statement of Activities and Net Position presents the City's non-fiduciary net position. Net position is reported in the following categories/components:

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of cash balances not meeting the definition of the preceding category. Unrestricted net position is often subject to constraints imposed by management, which can be removed or modified.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds, and all remaining enterprise funds are aggregated and reported as other nonmajor enterprise funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Employee Benefits Fund is used to account for employee payroll taxes and health and life insurance expense.

The Local Option Revenue Fund is used to account for the collection and use of local option sales and services tax.

The Debt Service Fund is utilized to account for the property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

Capital Projects:

The Street Assessment Project Fund is used to account for all resources used in the acquisition and construction of City roads and other capital expenditures related to City roads.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The City also reports the following proprietary fund:

The Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost-reimbursement basis.

C. Measurement Focus and Basis of Accounting

The City of Cresco maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States of America.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications-committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the City Council through ordinance or resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the City Council removed or changes the specified use by taking the same action it employed to commit those amounts.

Assigned – Amounts the City Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2016, disbursements exceeded the amounts budgeted in the capital projects function.

Note 2: Cash and Pooled Investments

The City's deposits in banks at June 30, 2016 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Notes to Financial Statements (Continued)

Note 2: Cash and Pooled Investments (Continued)

The City had no investments other than certificates of deposit as of June 30, 2016.

Component Units

The Cresco Public Library Foundation cash and investments as of June 30, 2016 are shown below:

Certificates of Deposit	\$251,925
Checking/Savings	27,574
	<hr/>
	\$279,499
	<hr/>

Cresco Fire Fighters, Inc. cash and investments as of December 31, 2015 are shown below:

Certificates of Deposit	\$10,424
Checking/Savings	83,600
	<hr/>
	\$94,024
	<hr/>

Note 3: Bonds and Notes Payable

Annual debt service requirements to maturity for General Obligation Notes and Revenue Notes are as follows:

Year Ending June 30,	General Obligation Notes		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 440,000	\$100,420	\$ 57,000	\$ 14,708	\$ 497,000	\$115,128
2018	351,000	93,983	58,000	13,460	409,000	107,443
2019	352,000	88,077	61,000	12,195	413,000	100,272
2020	357,000	81,906	64,000	10,865	421,000	92,771
2021	358,000	75,031	66,000	9,470	424,000	84,501
2022-2026	1,230,000	273,736	123,000	33,030	1,353,000	306,766
2027-2031	750,000	136,688	145,000	13,350	895,000	150,038
2032-2034	400,000	25,313	0	0	400,000	25,313
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	\$4,238,000	\$875,154	\$574,000	\$107,078	\$4,812,000	\$982,232
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Notes to Financial Statements (Continued)

Note 3: Bonds and Notes Payable (Continued)

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay sewer revenue notes issued in August, 2001 and June, 2011. Proceeds from the notes provided financing for improvements to the sewer system. The notes are payable solely from sewer customer net receipts and are payable through 2021 and 2031, respectively. Sewer user charges must be established at a level which produces and maintains net revenue at a level not less than 110% of principal and interest falling due in the same year. As of June 30, 2016 the total principal and interest remaining to be paid on notes is \$681,078. For the current year, principal and interest paid and total customer net receipts were \$69,890 and \$202,822, respectively.

The resolution providing for the issuance of the revenue notes includes the following provisions:

1. The notes will only be redeemed from the future earnings of the enterprise activity, and the note holders hold a lien on the future earnings of the fund.
2. Sufficient cash transfers shall be made to the municipal sanitary sewer utility revenue note and interest sinking account within the Sewer Fund for the purpose of making the note principal and interest payments when due.
3. Additional cash transfers shall be made to the municipal sanitary sewer utility revenue debt service reserve account within the Sewer Fund until a specific minimum balance has been reached to provide a reserve to meet future note principal and interest payments.

The City was in compliance with these provisions as of June 30, 2016.

Note 4: Pension Plan

Plan Description – IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Notes to Financial Statements (Continued)

Note 4: Pension Plan (Continued)

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Protection occupation members may retire at normal retirement age, which is generally age 55. The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is a 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Notes to Financial Statements (Continued)

Note 4: Pension Plan (Continued)

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contributions rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the City contributed 8.93% for a total rate of 14.88%. Protection occupation members contributed 6.56% of covered payroll and the City contributed 9.84% of covered payroll, for a total are of 16.40%

The City's contributions to IPERS for the year ended June 30, 2016 were \$123,031.

Net Pension Liability, Pension Expense Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2016, the City reported a liability of \$675,665 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2015, the City's proportion was 0.0136761%, which was a decrease of 0.000047% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the City's pension expense, deferred outflows of resources and deferred inflows totaled \$71,930, \$175,278 and \$231,788, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement as follows:

Rate of inflation (effective June 30, 2014)	3.00% per annum.
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50%, compounded annually, net of investment expense, including inflation.
Wage Growth (Effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

Notes to Financial Statements (Continued)

Note 4: Pension Plan (Continued)

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major assets class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Core Plus Fixed Income	28%	2.04%
Domestic Equity	24	6.29
International Equity	16	6.75
Private Equity/Debt	11	11.32
Real Estate	8	3.48
Credit Opportunities	5	3.63
U.S. TIPS	5	1.91
Other Real Assets	2	6.24
Cash	1	(0.71)
Total	100%	

Discount Rate – The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$1,380,953	\$675,665	\$80,604

Notes to Financial Statements (Continued)

Note 4: Pension Plan (Continued)

Pension Plan Fiduciary Net Position – Detailed information about IPERS’ fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS’ website at www.ipers.org.

Note 5: Other Postemployment Benefits (OPEB)

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 25 active and 3 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a partially self-funded plan with Wellmark. Retirees under age 65 pay their actual premium based on age as determined by Wellmark.

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$483 for single coverage and \$1,428 for family coverage. For the year ended June 30, 2016, the City contributed \$314,623 and plan members eligible for benefits contributed \$65,670 to the plan.

Note 6: Compensated Absences

City employees accumulate a limited amount of earned but unused compensatory time off, vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. Compensatory time off and vacation benefits are payable in full when used or upon termination, retirement or death. Sick leave hours are payable in full when used, while the amount payable upon retirement or death is 20% of accumulated hours at the current hourly rate. Additionally, an employee may apply 100% of unused sick leave to pay health insurance premiums upon retirement.

These accumulations are not recognized as disbursements by the City until used or paid. The City’s approximate maximum liability for earned compensation/time off, vacations and sick leave payable to employees as of June 30, 2016 was as follows:

Type of Benefit	Amount
Compensatory time off	\$ 21,214
Vacation	78,191
Sick leave	349,488
Total	<u>\$448,893</u>

This liability has been computed based on rates of pay as of June 30, 2016.

Notes to Financial Statements (Continued)

Note 7: Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2016 is as follows:

Transfer To	Transfer From	Amount
General	Special Revenue:	
	Employee Benefits	\$335,440
	Local Option Revenue	371,279
	Expendable Trust	50,310
	Enterprise:	
	Water	1,000
	Sewer	1,000
		<u>759,029</u>
Special Revenue:		
Expendable Trust	General	<u>15,000</u>
Debt Service	General	19,762
	Special Revenue:	
	Local Option Revenue	41,253
	Enterprise:	
	Water	9,881
	Municipal Sanitary Sewer	
	Utility and Water Utility	
	Capital Improvement	<u>19,760</u>
		<u>90,656</u>
Capital Projects:		
150 th Celebration	General	<u>44,000</u>
		<u>\$908,685</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

Note 8: Risk Management

The City of Cresco is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 9: Related Party Transactions

The City had business transactions between the City and City officials totaling \$5,853 during the year ended June 30, 2016.

Notes to Financial Statements (Continued)

Note 10: Subsequent Events

Management has evaluated subsequent events through November 7, 2016, the date the financial statements were available to be issued.

Other Information

CITY OF CRESCO
Cresco, Iowa

**BUDGETARY COMPARISON SCHEDULE OF RECEIPTS,
DISBURSEMENTS AND CHANGES IN BALANCES – BUDGET AND
ACTUAL (CASH BASIS) – ALL GOVERNMENTAL FUNDS AND
PROPRIETARY FUNDS – OTHER INFORMATION**

Year Ended June 30, 2016

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds Not Required to be Budgeted	Total
Receipts:				
Property Tax	\$1,989,515	\$ 0	\$ 0	\$1,989,515
Other City Tax	491,841	0	0	491,841
Licenses and Permits	53,492	0	0	53,492
Use of Money and Property	77,834	2,577	72	80,339
Intergovernmental	730,353	0	0	730,353
Charges for Service	1,031,586	1,344,705	0	2,376,291
Special Assessments	169,328	0	0	169,328
Miscellaneous	347,534	88,253	31,469	404,318
Total Receipts	4,891,483	1,435,535	31,541	6,295,477
Disbursements:				
Public Safety	799,484	0	0	799,484
Public Works	1,406,211	0	0	1,406,211
Health and Social Services	4,151	0	0	4,151
Culture and Recreation	1,200,882	0	0	1,200,882
Community and Economic Development	47,823	0	0	47,823
General Government	303,870	50,365	50,365	303,870
Debt Service	624,490	0	0	624,490
Capital Projects	750,734	0	0	750,734
Business Type Activities	0	1,115,697	0	1,115,697
Total Disbursements	5,137,645	1,166,062	50,365	6,253,342
Excess (Deficiency) of Receipts Over (Under) Disbursements	(246,162)	269,473	(18,824)	42,135
Other Financing Sources (Uses), Net	31,641	(31,641)	0	0
Excess (Deficiency) of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	(214,521)	237,832	(18,824)	42,135
Balances Beginning of Year	4,663,041	2,481,243	80,978	7,063,306
Balances End of Year	\$4,448,520	\$2,719,075	\$ 62,154	\$7,105,441

See Accompanying Independent Auditor's Report.

Budgeted Amounts		Final to
Original	Final	Total Variance
\$1,983,402	\$1,983,402	\$ 6,113
446,779	490,779	1,062
51,300	51,300	2,192
76,415	76,415	3,924
597,470	712,470	17,883
2,411,831	2,431,410	(55,119)
40,000	168,000	1,328
289,115	418,286	(13,968)
5,896,312	6,332,062	(36,585)
839,325	879,375	79,891
1,424,350	1,557,850	151,639
4,500	4,500	349
1,180,826	1,331,576	130,694
56,000	65,850	18,027
335,000	362,700	58,830
625,890	625,890	1,400
40,000	784,800	34,066
1,488,900	1,349,400	233,703
5,994,791	6,961,941	708,599
(98,479)	(629,879)	672,014
2,000	2,000	(2,000)
(96,479)	(627,879)	670,014
5,740,626	7,062,857	449
\$5,644,147	\$6,434,978	\$670,463

CITY OF CRESCO
Cresco, Iowa

NOTES TO OTHER INFORMATION – BUDGETARY REPORTING

June 30, 2016

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds, except the Internal Service Fund. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business-type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, three budget amendments increased budgeted disbursements by \$967,150. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2016, disbursements exceeded the amounts budgeted in the capital project function.

CITY OF CRESCO
Cresco, Iowa

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY**

**Iowa Public Employees' Retirement System
For the Last Two Fiscal Years*
Other Information**

	2016	2015
City's Collective Proportion of the Net Pension Liability	0.0136761%	0.0137235%
City's Collective Proportionate Share of the Net Pension Liability	\$ 675,665	\$ 544,263
City's Covered-Employee Payroll	\$1,316,000	\$1,330,000
City's Collective Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	51.34%	40.92%
IPERS' Net Position as a Percentage of the Total Pension Liability	85.19%	87.61%

*In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See Accompanying Independent Auditor's Report

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

CITY OF CRESCO
Cresco, Iowa

SCHEDULE OF CITY CONTRIBUTIONS

Iowa Public Employees' Retirement System
Last 10 Fiscal Years
Other Information

	2016	2015	2014	2013	2012
Statutorily Required Contribution	\$ 123,031	\$ 121,350	\$ 122,503	\$ 120,296	\$ 112,563
Contributions in Relation to the Statutorily Required Contribution	(123,031)	(121,350)	(122,503)	(120,296)	(112,563)
Contribution Deficiency (Excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
City's Covered-Employee Payroll	\$1,342,000	\$1,316,000	\$1,330,000	\$1,329,000	\$1,325,000
Contributions as a Percentage of Covered-Employee Payroll	9.17%	9.22%	9.21%	9.05%	8.50%

*The City's covered-employee payroll information was not readily available. Therefore, contributions as a percentage of covered payroll could not be calculated.

See Accompanying Independent Auditor's Report.

2011	2010	2009	2008	2007
\$ 109,321	\$ 100,742	\$ 90,810	\$ 86,347	\$ 77,034
(109,321)	(100,742)	(90,810)	(86,347)	(77,034)
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
*	*	*	*	*
*	*	*	*	*

CITY OF CRESCO
Cresco, Iowa

NOTES TO OTHER INFORMATION – PENSION LIABILITY

Year Ended June 30, 2016

Changes of Benefit Terms:

Legislation enacted in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Legislative action in 2008 transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Changes of Assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate in the calculation of the UAL amortization payments.

Supplementary Information

CITY OF CRESCO
Cresco, Iowa

**SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES
IN CASH BALANCES – NONMAJOR GOVERNMENTAL FUNDS**

As of and for the Year Ended June 30, 2016

	Special Revenue			Capital Projects	
	CDIC Revolving Loan	Police Forfeiture	Expendable Trust	150 th Celebration	Total
Receipts:					
Use of Money and Property	\$ 3,846	\$ 0	\$ 344	\$ 0	\$ 4,190
Intergovernmental	0	0	85,143	0	85,143
Charges for Service	0	0	0	770	770
Miscellaneous	31,011	0	36,372	76,826	144,209
Total Receipts	34,857	0	121,859	77,596	234,312
Disbursements:					
Operating:					
Public Safety	0	0	97,847	0	97,847
Culture and Recreation	0	0	18,403	0	18,403
Capital Projects	0	0	0	58,341	58,341
Total Disbursements	0	0	116,250	58,341	174,591
Excess of Receipts Over Disbursements	34,857	0	5,609	19,255	59,721
Other Financing Sources (Uses):					
Transfers In	0	0	15,000	44,000	59,000
Transfers Out	0	0	(50,310)	0	(50,310)
Total Other Financing Sources (Uses)	0	0	(35,310)	44,000	8,690
Change in Cash Balances	34,857	0	(29,701)	63,255	68,411
Cash Balances Beginning of Year	81,388	115	359,940	424	441,867
Cash Balances End of Year	\$116,245	\$115	\$330,239	\$63,679	\$510,278
Cash Basis Fund Balances:					
Restricted for:					
Fire Equipment	\$ 0	\$ 0	\$165,322	\$ 0	\$165,322
Equipment Repair - Fitness	0	0	62,136	0	62,136
CDIC Revolving Loan	116,245	0	0	0	116,245
Library	0	0	28,567	0	28,567
Other Purposes	0	115	24,214	63,679	88,008
Committed to Fire Department Airparks	0	0	50,000	0	50,000
Total Cash Basis Fund Balances	\$116,245	\$115	\$330,239	\$63,679	\$510,278

See Accompanying Independent Auditor's Report.

CITY OF CRESCO
Cresco, Iowa

SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES –
 NONMAJOR PROPRIETARY FUNDS
 As of and for the Year Ended June 30, 2016

	Municipal Sanitary Sewer Utility and Water Utility Capital Improvement	Yard Waste and Recycling	Total
Operating Receipts:			
Charges for Service	\$ 57,316	\$ 38,211	\$ 95,527
Operating Disbursements:			
Business-Type Activities	7,023	30,479	37,502
Excess of Operating Receipts Over Operating Disbursements	50,293	7,732	58,025
Non-Operating Receipts:			
Interest on Investments	186	120	306
Total Non-Operating Receipts	186	120	306
Excess of Receipts Over Disbursements	50,479	7,852	58,331
Transfers Out	(19,760)	0	(19,760)
Net Change in Cash Balances	30,719	7,852	38,571
Cash Balances Beginning of Year	284,895	119,543	404,438
Cash Balances End of Year	\$315,614	\$127,395	\$443,009
Cash Basis Fund Balances			
Unrestricted	\$315,614	\$127,395	\$443,009

See Accompanying Independent Auditor's Report.

CITY OF CRESCO
Cresco, Iowa

SCHEDULE OF INDEBTEDNESS
Year Ended June 30, 2016

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
<hr/>			
General Obligation Notes:			
Capital Loan Notes			
Series 2001B	07-05-01	1.75%	\$ 253,000
Series 2010	11-15-10	2.50-3.75%	1,050,000
Series 2013	03-06-13	0.60-1.85%	1,700,000
Series 2014	07-08-14	2.000-3.375%	2,950,000
Total General Obligation Notes			
Sewer Revenue Capital Loan Notes:			
Series 2011	07-05-01	1.75%	600,000
Series 2011	05-25-11	3.00%	463,000
Total Sewer Revenue Capital Loan Notes			

See Accompanying Independent Auditor's Report.

Schedule 3

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
\$ 98,000	\$0	\$ 15,000	\$ 83,000	\$ 1,715
560,000	0	130,000	430,000	15,500
1,285,000	0	215,000	1,070,000	14,753
2,810,000	0	155,000	2,655,000	75,575
<hr/>				
\$4,753,000	\$0	\$515,000	\$4,238,000	\$107,543
<hr/>				
\$ 236,000	\$0	\$ 35,000	\$ 201,000	\$ 4,130
392,000	0	19,000	373,000	11,760
<hr/>				
\$ 628,000	\$0	\$ 54,000	\$ 574,000	\$ 15,890
<hr/>				

CITY OF CRESCO
Cresco, Iowa
SCHEDULE OF NOTE MATURITIES
June 30, 2016

General Obligation Notes				
Year Ending June 30,	Capital Loan Notes		Capital Loan Notes	
	Series 2001B		Series 2010	
	Issued 7-05-01		Issued 11-15-2010	
	Interest	Amount	Interest	Amount
2017	1.75%	\$15,000	2.50%	\$ 60,000
2018	1.75	16,000	2.50	60,000
2019	1.75	17,000	2.50	60,000
2020	1.75	17,000	3.10	65,000
2021	1.75	18,000	3.10	65,000
2022	0.00	0	3.75	20,000
2023	0.00	0	3.75	25,000
2024	0.00	0	3.75	25,000
2025	0.00	0	3.75	25,000
2026	0.00	0	3.75	25,000
2027	0.00	0	0.00	0
2028	0.00	0	0.00	0
2029	0.00	0	0.00	0
2030	0.00	0	0.00	0
2031	0.00	0	0.00	0
2032	0.00	0	0.00	0
2033	0.00	0	0.00	0
2034	0.00	0	0.00	0
Total		<u>\$83,000</u>		<u>\$430,000</u>

Sewer Revenue					
Capital Loan Notes			Capital Loan Notes		
Issued 07-05-01			Issued 05-25-11		
Year Ending					
June 30,	Interest	Amount	Interest	Amount	Total
2017	1.75%	\$ 37,000	3.00%	\$ 20,000	\$ 57,000
2018	1.75	38,000	3.00	20,000	58,000
2019	1.75	40,000	3.00	21,000	61,000
2020	1.75	42,000	3.00	22,000	64,000
2021	1.75	44,000	3.00	22,000	66,000
2022	0.00	0	3.00	23,000	23,000
2023	0.00	0	3.00	24,000	24,000
2024	0.00	0	3.00	25,000	25,000
2025	0.00	0	3.00	25,000	25,000
2026	0.00	0	3.00	26,000	26,000
2027	0.00	0	3.00	27,000	27,000
2028	0.00	0	3.00	28,000	28,000
2029	0.00	0	3.00	29,000	29,000
2030	0.00	0	3.00	30,000	30,000
2031	0.00	0	3.00	31,000	31,000
Total		\$201,000		\$373,000	\$574,000

See Accompanying Independent Auditor's Report.

SCHEDULE OF NOTE MATURITIES (CONTINUED)

General Obligation Notes (Continued)					
Year Ending June 30,	Capital Loan Notes		Capital Loan Notes		Total
	Series 2013		Series 2014		
	Issued 03-06-13		Issued 07-08-14		
	Interest Rates	Amount	Interest Rates	Amount	
2017	0.75%	\$ 210,000	2.000%	\$ 155,000	\$ 440,000
2018	0.90	125,000	2.000	150,000	351,000
2019	1.10	125,000	2.000	150,000	352,000
2020	1.25	125,000	2.000	150,000	357,000
2021	1.40	125,000	2.000	150,000	358,000
2022	1.55	130,000	2.000	150,000	300,000
2023	1.70	130,000	3.000	150,000	305,000
2024	1.85	100,000	3.000	150,000	275,000
2025	0.00	0	3.000	150,000	175,000
2026	0.00	0	3.000	150,000	175,000
2027	0.00	0	3.000	150,000	150,000
2028	0.00	0	3.000	150,000	150,000
2029	0.00	0	3.000	150,000	150,000
2030	0.00	0	3.125	150,000	150,000
2031	0.00	0	3.125	150,000	150,000
2032	0.00	0	3.375	150,000	150,000
2033	0.00	0	3.375	150,000	150,000
2034	0.00	0	3.375	100,000	100,000
Total		\$1,070,000		\$2,655,000	\$4,238,000

CITY OF CRESCO
Cresco, Iowa

SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS
BY FUNCTION – ALL GOVERNMENTAL FUNDS
For the Last Ten Years

	2016	2015	2014
Receipts:			
Property Tax	\$1,990,071	\$1,760,937	\$1,774,897
Tax Increment Financing	0	0	0
Other City Tax	491,297	535,045	453,570
Licenses and Permits	53,492	47,935	50,411
Use of Money and Property	77,822	77,132	66,464
Intergovernmental	730,353	524,055	506,403
Charges for Service	1,031,586	1,009,536	957,817
Special Assessments	169,328	8,198	21,380
Miscellaneous	347,534	219,208	204,113
Total Receipts	\$4,891,483	\$4,182,046	\$4,035,055
Disbursements:			
Operating:			
Public Safety	\$ 799,484	\$ 680,979	\$ 875,373
Public Works	1,406,211	1,339,292	1,190,197
Health and Social Services	4,151	4,151	4,151
Culture and Recreation	1,200,882	1,164,865	1,078,009
Community and Economic Development	47,823	54,464	146,709
General Government	303,870	304,431	305,992
Debt Service	624,490	596,538	387,129
Capital Projects	750,734	2,189,200	215,228
Total Disbursements	\$5,137,645	\$6,333,920	\$4,202,788

See Accompanying Independent Auditor's Report.

Schedule 5

2013	2012	2011	2010	2009	2008	2007
\$1,737,623	\$1,804,372	\$1,623,593	\$1,574,522	\$1,500,615	\$1,496,480	\$1,300,355
39	18,280	19,645	19,427	1,276	129,468	297,248
473,002	453,558	434,642	406,618	425,758	373,542	363,312
13,396	13,161	12,367	12,593	12,475	13,536	13,740
56,400	60,614	82,522	87,950	91,424	136,944	107,094
510,964	769,610	469,936	428,138	681,859	1,351,428	784,852
991,696	940,448	930,141	891,148	884,095	871,211	846,977
36,282	102,024	947	1,168	1,442	1,435	2,281
187,892	150,093	197,656	157,287	216,808	136,971	149,997
\$4,007,294	\$4,312,160	\$3,771,449	\$3,578,851	\$3,815,752	\$4,511,015	\$3,865,856
\$ 859,182	\$ 774,664	\$ 742,033	\$ 658,589	\$ 670,862	\$ 637,709	\$ 629,691
1,198,791	1,152,241	1,343,542	993,547	1,048,598	997,573	1,057,308
3,929	1,000	6,858	3,929	3,929	3,929	3,929
1,047,886	995,603	1,010,385	897,248	931,256	958,363	888,419
274,145	171,021	138,720	117,753	405,374	608,006	533,219
301,425	294,583	297,800	247,610	251,369	232,533	220,785
1,573,696	343,687	246,775	268,654	271,216	357,027	335,041
405,829	949,126	191,464	319,213	937,722	883,829	258,537
\$5,664,883	\$4,681,925	\$3,977,577	\$3,506,543	\$4,520,326	\$4,678,969	\$3,926,929



Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Honorable Mayor and
Members of the City Council:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Cresco, Iowa, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Cresco, Iowa's basic financial statements and have issued our report thereon dated November 7, 2016. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Cresco, Iowa's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Cresco, Iowa's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Cresco, Iowa's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings as item A to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings as item B to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Cresco, Iowa's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Cresco, Iowa's Response to Findings

The City of Cresco, Iowa's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City of Cresco, Iowa's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Cresco, Iowa during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



Charles City, Iowa

November 7, 2016

CITY OF CRESCO
Cresco, Iowa

SCHEDULE OF FINDINGS

Year Ended June 30, 2016

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- A** Segregation of Duties
Finding – During our review of internal control, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the City’s financial statements. We noted that various functions of the City are performed by the same person.
Criteria – A good internal control contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.
Condition – Various functions of the City are performed by the same person.
Effect – Transaction errors could occur and not be detected in a timely manner.
Cause – Limited staff available to segregate duties.
Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.
Response and Corrective Action Planned – We have reviewed procedures as suggested. We are in the process of cross training employees to further segregate duties.
- B** Delinquent Utility Account Write-Off Procedures
Finding – During our review of internal control, we noted there are no formal, written procedures approved by the City Council for the delinquent utility account write-off process.
Criteria – A formal, written delinquent utility account write-off process assures that delinquent utility accounts are handled consistently and properly.
Condition – The City has not adopted a formal, written procedure for writing off delinquent utility accounts.
Effect – Delinquent accounts could be handled inconsistently. Delinquent utility account could be written off without proper authorization.
Cause – The City Council has not adopted a formal, written procedure for writing off delinquent utility accounts.
Recommendation – The City Council should adopt a formal, written procedures for writing off delinquent utility accounts.
Response and Corrective Action Planned – We will review current procedures and adopt a formal, written procedure for writing off delinquent utility accounts.

CITY OF CRESCO
Cresco, Iowa

SCHEDULE OF FINDINGS (Continued)

Year Ended June 30, 2016

Other Findings Related to Statutory Reporting:

1. Certified Budget – Disbursements during the year ended June 30, 2016 exceeded the amounts budgeted in the capital projects function. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”
Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.
Response – In the future, the budget will be amended prior to the expenditure being paid, if applicable.
Conclusion – Response accepted.

2. Questionable Disbursements – Certain disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted. These disbursements are detailed as follows:

Paid To	Purpose	Amount
Texas Roadhouse	Alcoholic Beverage	\$5

According to the opinion, it is possible for certain disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between proper and improper purpose is very thin.

Recommendation – The City Council should determine and document the public purpose served by these disbursements before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including requirements for proper documentation.
Response – We will comply with this recommendation.
Conclusion – Response accepted.

3. Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
4. Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title & Business Relationship	Transaction Description	Amount
John Loveless, Council Member		
Part owner of Cresco Shopper	Advertising and supplies	\$2,950
Steve McCarville, Council Member		
Owner of Campsite RV	LP tank fill and chip sealing	2,903

CITY OF CRESCO
Cresco, Iowa

SCHEDULE OF FINDINGS (Continued)

Year Ended June 30, 2016

Other Findings Related to Statutory Reporting (Continued):

4. Business Transactions (Continued) In accordance with Chapter 362.5(3) of the Code of Iowa, the transactions over \$1,500 with Cresco Shopper and Campsite RV do not appear to represent conflicts of interest since John Loveless and Steve McCarville do not participate in acquiring the above services.
5. Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
6. Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.
7. Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.
8. Revenue Notes – No instances on noncompliance with the revenue note resolutions were noted.
9. Urban Renewal Annual Report – The urban renewal annual report was approved and certified to the Iowa Department of Management on or before December 1.
10. Excess Fund Balance – We noted the fund balances in the Special Revenue Funds: Road Use Tax, Employee Benefits Trust, CDIC Revolving Loan, Police Forfeiture and Expendable Trust and Capital Projects Fund: 150th Celebration were in excess of disbursements for the current year.

Recommendation – The City should investigate alternatives to eliminate the excesses.

Response – The Road Use Tax Fund will be used for future street and roadway improvements. The Employee Benefit Fund will be used to provide employee benefits in future fiscal years. The CDIC Revolving Loan Fund will be used to provide low interest loans to promote economic development. The Police Forfeiture Fund will be used to make improvements to the Police Department. The 150th Celebration Fund was used in the fiscal year ended June 30, 2017.

Conclusion – Response accepted.

NEWS RELEASE

Gardiner Thomsen, Certified Public Accountants, today released an audit report on the City of Cresco, Iowa.

The City's receipts totaled \$6,327,018 for the year ended June 30, 2016, a 26.04% decrease from the prior year. The receipts included \$1,989,515 in property tax, \$2,943,551 from charges for service, \$812,695 from operating grants, contributions and restricted interest, \$412,532 from local option sales tax, \$10,925 from unrestricted investment earnings, and \$85,265 from other general receipts.

Disbursements for the year totaled \$6,303,707, a 16.03% decrease from the prior year, and included \$1,417,946 for Public Works, \$1,212,625 for Culture and Recreation and \$807,735 for Public Safety. Also, disbursements for business-type activities totaled \$1,130,807.

A copy of the audit report is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's website at <http://auditor.iowa.gov/reports/reports.html>.